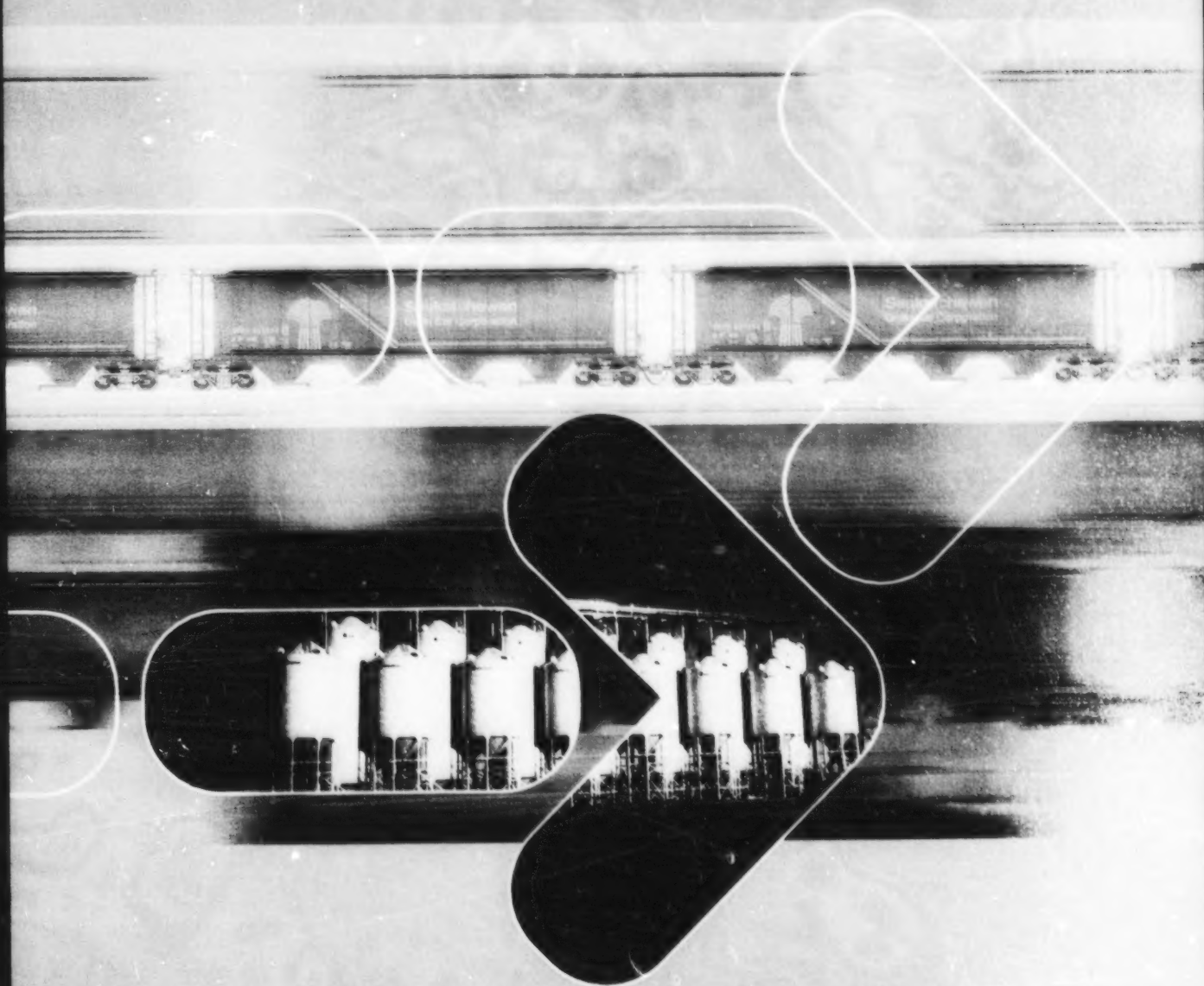




Saskatchewan
Grain Car
Corporation

2000
ANNUAL REPORT

2001



Quick Facts

Quick Facts about the Saskatchewan Grain Car Corporation (as of July 31, 2001)

Corporation Established

Oct. 2, 1979

Offices

Executive Administration
Fleet Operations

Regina
Melville

Board of Directors

Pat Atkinson, Minister responsible for the Saskatchewan Grain Car Corporation
Ron Styles, Deputy Minister of Highways and Transportation
Gord Nystuen, Deputy Minister of Agriculture and Food

Corporation Staff

Bernie Churko, General Manager
Kelly Moskow, Fleet Manager
Sandra Rathgeber, Secretary

Fleet

Cars in service	956
Cars allocated to CN (SKNX 397000-3974760)	458
Cars allocated to CP (SKPX 635000-625522)	498
Cars destroyed to date	44
Car volume	128.8 m3 (4550 ft3)
Car capacity	91 000 kg (201,000 lbs)
Load limit	91 250 kg (201,200 lbs)
Weight (empty)	28 050 (61,840 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 October, 1981

Governing Legislation & Lease Agreements

The Saskatchewan Grain Corporation Act
Operating Agreement with CN, CP, and CWB
Alternate Use Agreement with CN and CP

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Letter of Transmittal

Minister of
Highways and
Transportation



Legislative Building
Regina, Saskatchewan S4S 0B3
(306) 787-6447

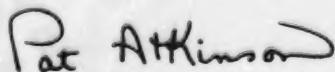
October 31, 2001

To Her Honour
The Honourable Dr. Lynda M. Haverstock
Lieutenant-Governor of the
Province of Saskatchewan



I have the honour to submit herewith the 22nd Annual Report of the Saskatchewan Grain Car Corporation for the year ending July 31, 2001 in accordance with the *Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Pat Atkinson".

Pat Atkinson
Minister Responsible for the
Saskatchewan Grain Car Corporation

General Manager's Message



Saskatchewan
Grain Car
Corporation

Office of the General Manager
12th Floor, 1855 Victoria Ave.
Regina, Canada
S4P 3V5

October 31, 2001

Honourable Pat Atkinson
Chairperson of the Board

Honourable Pat Atkinson

As General Manager of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present this Annual Report for the fiscal year ending July 31, 2001.

The SGCC enjoyed another year of strong financial performance during 2000/01. Commercial car leasing revenues climbed 9% to \$1.3 million, the second highest in the 22 year history of the Corporation. This strong car leasing revenue helped the Corporation show a \$2.1 million excess of revenue over expenditure, which is the highest level in Corporation history.

The Corporation continued its efforts to support "leading edge" grain handling and transportation related R & D focused on improving the economy of rural Saskatchewan residents. The pilot project commenced in 1999/2000, and was completed in 2000/01. Preliminary results showed that substantial benefits were available to farmers and communities by moving towards a "just in time" business process. Copies of the Grain Logistics Pilot Project "Final Report" will be available in late 2001 at www.highways.gov.sk.ca.

The Corporation further committed to its support to agricultural and in particular grain logistics research and development (R & D), by investing in the final phase of the project. Prior to fiscal year end the Corporation acquired 4,000 newly issued Class "E" shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the Corporation's commitment to support the R & D aspects of Phase II, "the demonstration phase", of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America. Information gathered from both phases will be made available to farm and community groups throughout the province.

In addition to the direct involvement and investment in the Grain Logistics Pilot Project, Corporation management working directly with numerous individual producers and producer groups who are both concerned with consolidation and centralization of the grain system in their area and in the need for increased net revenues. The assistance provided by the SGCC helped these producers determine grain handling and transportation options that could potentially maintain local control and maximize returns.

Corporation management continued its commitment to the Farmer Rail Car Coalition (FRCC), and fulfilled its role as technical advisors to the Coalition. The FRCC is made up of eight farm organizations working toward a goal of purchasing the federal government's fleet of 13,000 rail hopper cars directly on behalf of western Canadian farmers. Over the course of the 2000/01 fiscal year the Corporation managed, and concluded, a "Finite Element Analysis" project on behalf of the FRCC. This study was done to determine the feasibility of economically upgrading the government fleet of hopper cars, including the Corporation's cars, to the modern 286,000 lb. Gross Rail Limit.

As in the past I continue to take great pride in knowing that the Corporation is assisting western Canadian producers in moving their grain products to domestic and export destinations throughout North America. I am proud of the Corporation's contribution to Saskatchewan agriculture over the past year, and look forward to the challenges to be met in the years to come.

Bernie Churko
General Manager



Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately \$55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation operating under the authority of the *Saskatchewan Grain Car Corporation Act*.

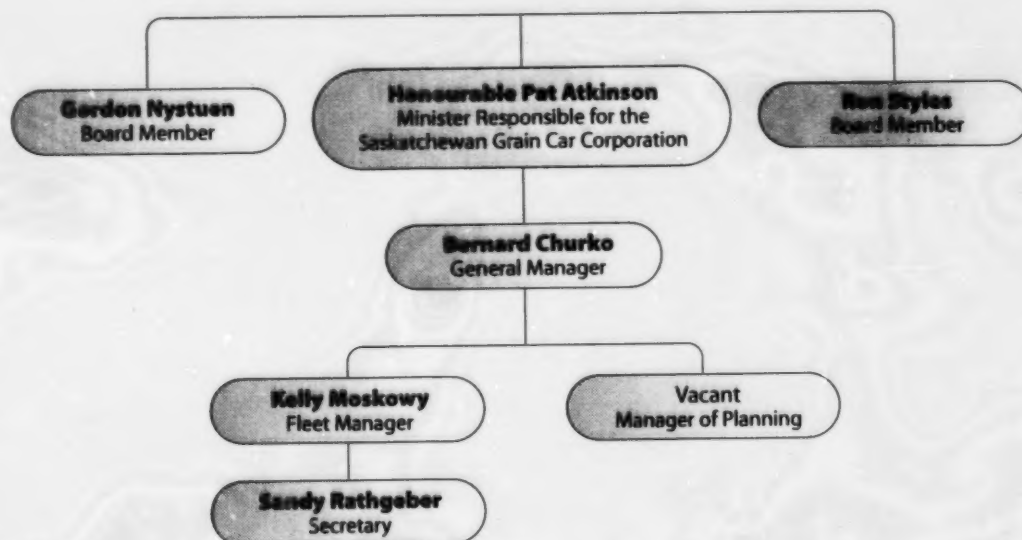
The provision of the Saskatchewan Grain Car Corporation cars in grain service assists the grain industry in meeting its export targets with statutory grain service, and with the movement of grain from country origins across the prairies to inland destinations throughout Canada, the United States, and Mexico with commercial or alternate use grain movements.

Mission

"To maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources."

Organization Chart

as of July 31, 2001



Corporate Report

Every day across North America, Saskatchewan Grain Car Corporation (SGCC) hopper cars are moving Saskatchewan agricultural products to port and domestic destinations. From the family farm to the new generation corporate farm, the SGCC is committed to providing our fleet of hopper cars to ensure timely movement of farm commodities to meet worldwide market demands.

Time doesn't stand still, and neither can the SGCC. We have a proud tradition of serving Saskatchewan farmers for over 20 years but we manage our business with an eye to future challenges and opportunities in agriculture.

Over the course of this year, Corporation management continued, as their primary goal, to focus on providing the Saskatchewan agricultural industry, with an efficient and effective fleet of 956 steel covered hopper cars.

In addition to fleet management, Corporation staff devoted considerable time to issues related to rail line abandonment, elevator consolidation and the centralization of the grain system throughout the province. With challenges have come opportunities, as farmers look at new, and innovative ways of not only moving their product, but also at ways of increasing their bottom line in these difficult times.

The SGCC worked closely with individual producers and producer groups throughout the year, assisting with assessing the benefits of a modern grain logistics system that has the potential to benefit individual farmers and producer groups province-wide.

In June 2001, the Corporation committed \$400,000, as an equity investment, to support the research and development aspects of Phase II, "the demonstration phase", of the Grain Logistics Pilot Project as proposed by West Central Road & Rail Ltd. Phase I of the Grain Logistics Pilot Project clearly demonstrated that a modern, farm-controlled logistics system can return substantial savings to producers, help support local communities, as well as substantially reduce road damage.

In the 2000/01-crop year the SGCC focused on the following key activities:

2000/2001 Key Activities

Farmer Rail Car Coalition (FRCC)

- Provision of ongoing technical advice to the FRCC.
- Management of a consultant commission on behalf of the FRCC to determine the feasibility of upgrading the government hopper car fleet, including the SGCC fleet, to the modern 286,000 GRL (Gross Rail Limit).

West Central Road & Rail Ltd. - Grain Logistics Pilot Project (Phase I & II)

- Provided technical expertise and financial assistance to Phase I of the pilot project.
- Equity investment of \$400,000 as the Corporation's commitment to support the research and development aspects of Phase II, "the demonstration phase", of the pilot project.

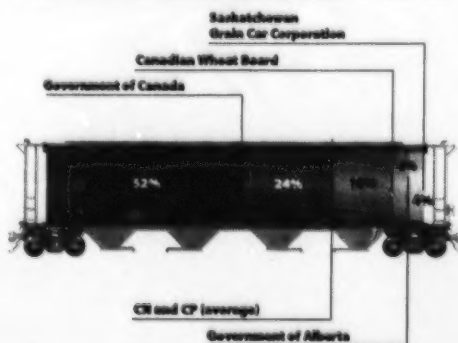
CN Rail and CP Rail Activities

- Negotiated with CN and CP changes to alternate use lease agreements related to western Canada port destinations for statutory movements.
- Consulted with CP regarding a new car tracking system being developed by Transport Canada.
- Opened negotiations with CP related to changes to operating and alternate use agreements if existing fleet is upgraded to 286,000 Gross Rail Limit.

Administration

- Initiated process to convert historic and current file system to Saskatchewan Administrative Records System (SARS) and Operation Records System (ORS).
- Negotiated with Celebrate Saskatchewan and Tourism Saskatchewan to determine the feasibility of using SGCC hopper cars to further promote the Province of Saskatchewan.

Canada's grain transportation system has 25,000 cars in service on average



Operations Overview

The 2000/2001 year proved to be a prosperous year for SGCC. The Corporation's staff monitored the day-to-day movements of the Corporation's fleet with the computerized car tracking system. The system's main functions are to highlight inactive cars, bad orders, and determine on an individual trip basis commercial/ alternate use movements. The staff uses the system to ensure the Corporation's hopper car fleet is being used to its capacity.

The 1981 Operating Agreement with SGCC, CWB, CN and CP sets out the car movements which are considered statutory grain services. These grain movements are originated in western Canada and exported to port facilities in Thunder Bay, Churchill, Vancouver, and Prince Rupert. In 2000/2001, the 1981 statutory movements accounted for 79.7% of all car movements. When the cars are not being used for the statutory grain services the railway companies are permitted to use the cars for commercial/alternate use services.

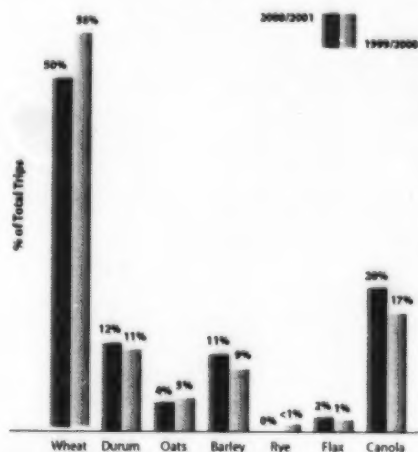
The SGCC had 458 hopper cars on CN lines and 498 on CP lines in 2000/2001. The percentage of cars assigned to CN and CP is based on the total tonnes handled by each carrier in the most recent 5-year period. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. The Corporation received no request for reallocation during the 2000/2001-crop year. Since the Corporation's inception in 1981, forty-four cars have been destroyed in derailments and have not been replaced. Sixteen cars were destroyed in 2000/2001 compared with five cars destroyed in 1999/2000 and none in 1998/1999. For the cars that are destroyed, the responsible railroad is required to compensate the Corporation for the value of the car in accordance with rules established by the Association of American Railroads (AAR). This value is determined by considering the current replacement value of the cars and the age of the car. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund that could be used for the purchase of new cars.

In 2000/2001, the Corporation's hopper cars moved 13,988 carloads (1.18 million tonnes) of grain compared to 1999/2000, when 13,510 carloads (1.15 million tonnes) were moved. This is an increase in movements of 3.5 % and increase in total tonnage of 2.4%.

2000/01 Operations Highlights

- Operating Agreement covered 79.7% of all car movements
- 458 hopper cars on CN Lines
- 498 hopper cars on CP Lines
- 16 hopper cars destroyed in train derailments, 6 on CN and 10 on CP
- 44 hopper destroyed to date
- 13,988 car loads (1.18 million tonnes)
- 3.5% increase in movements from 1999/00
- 2.4% increase in total tonnage

Summary of all grain (Statutory and Commercial) movements in SGCC cars 2000/01-1999/00



Summary of all grain (Statutory and Commercial) movements in SGCC cars

Commodity	2000/2001		1999/2000	
	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	6,993	621,312	7,625	677,615
Durum	1,739	155,846	1,556	139,987
Oats	578	42,659	641	47,474
Barley	1,526	119,549	1,189	94,468
Rye	12	900	13	975
Flax	286	21,012	223	16,647
Canola	2,854	217,479	2,263	173,545
Total	13,988	1,178,757	13,510	1,150,719

Car Leasing—Statutory Grain Service

In 2000/2001 movements continued to be strong for statutory grain service. The Corporation's percentage of statutory trips overall decreased slightly from 83% in 1999/2000 to 79.7% in 2000/2001. Seventy-nine fewer movements were made in 2000/2001 as compared to 1999/2000, a decrease of less than 1% in movements and 1.8% decrease in tonnage. The total movements unloaded at export facilities in western Canada were 11,143 carloads (944,569 tonnes) in 2000/2001 in comparison to 11,222 movements (962,020 tonnes) in the 1999/2000-crop year.

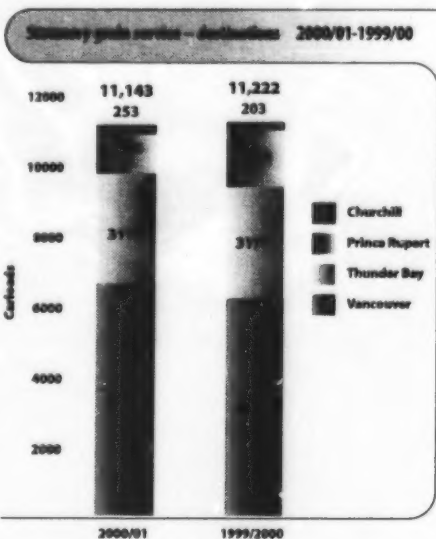
Statutory movements are allowed under the original 1981 Operating Agreement between the SGCC, CN, CP and CWB in which the rail companies are allowed to use the Corporation cars free of charge to move the six major grains from the Prairie Provinces to port for export. The six major grains covered under the original 1981 agreement included; Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector diversified and evolved this list was expanded and now includes 59-grain crops or products as listed under Schedule II of the Canada Transportation Act. Movement of these Schedule II commodities to port for export are considered Statutory Movements and the railways are allowed to use SGCC hopper cars at no charge.

Summary of all Statutory grain movements in SGCC cars

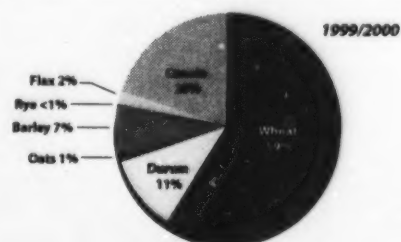
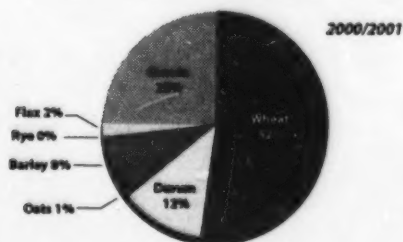
Commodity	2000/2001		1999/2000	
	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	5,839	520,220	6,585	586,850
Durum	1,310	118,011	1,268	114,271
Oats	132	9,209	118	8,249
Barley	846	67,938	847	68,608
Rye	1	75	1	75
Flax	277	20,337	202	15,072
Canola	2,738	208,779	2,201	168,895
Total	11,143	944,569	11,222	962,020

2000/01 Statutory Service Highlights

- 79.9% of all movements were statutory services, down slightly from 83% in 1999/2000
- 79 fewer movements, less than 1% decrease in movements and 1.8% decrease in tonnage
- 11,143 carloads (944,569 tonnes)



Major grains carried to port 2000/01-1999/00



Car Leasing—Alternate Use/ Commercial Service

The Corporation had a record year in Commercial Service movements with an increase of 557 alternate use trips in 2000/2001. Revenue generation was up from \$1.189 million in 1999/2000 to \$1.304 million in 2000/2001, an increase of 8.9%. Commercial service increased from 16.9% of the total movements in 1999/2000 to 20.3% of the total movements in 2000/2001. This increase resulted in 2,845 hopper car movements (234,189 tonnes) in 2000/2001 in comparison to 2,288 hopper car movements (188,690 tonnes) in 1999/2000 an overall increase of 24.5 % in movements and 24.1% in tonnage.

Alternate use movements are those movements outside the scope of the original 1981 Operating Agreement. In the late 1980's the railway companies approached SGCC for approval to use the Corporation's fleet for alternate uses. An Alternate Use Agreement was approved which allowed the railway companies to use the hopper cars to move commodities outside the

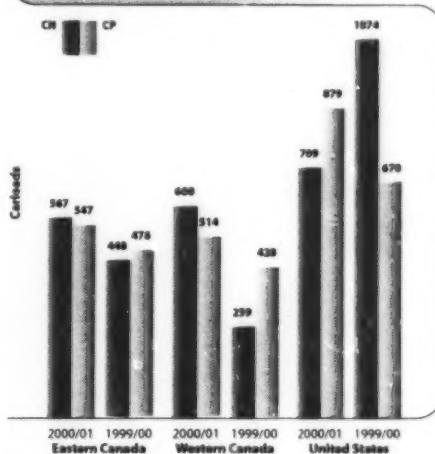
Summary of all Commercial grain movements in SGCC cars

Commodity	2000/2001		1999/2000	
	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	1,154	101,093	1,040	90,765
Durum	429	37,835	288	25,716
Oats	446	33,450	523	39,225
Barley	680	51,611	342	25,859
Rye	11	825	12	900
Flax	9	675	21	1,575
Canola	116	8,700	62	4,650
Total	2,845	234,189	2,288	188,690

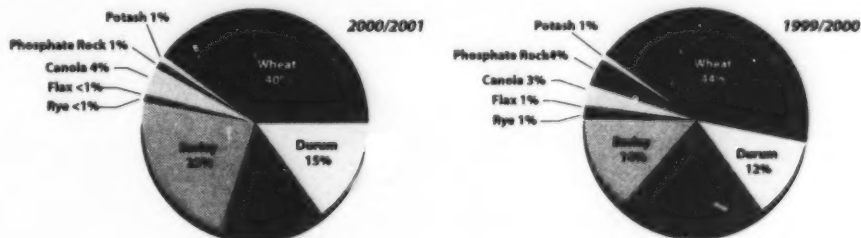
2000/01 Commercial Service Highlights

- An increase of 557 commercial movements
- 8.9% increase in revenue
- 20.3% of all movements, an increase of 3.4% from 1999/00
- 2,845 hopper car movements (234,189 tonnes)
- 24.5% increase in movements and 24.1% increase in tonnage
- \$4,403 in phosphate rock revenues
- \$3,655 in potash revenues

Commercial service – destinations 2000/01-1999/00



Major Commodities carried – Alternate use 2000/01-1999/00



Car Leasing—Alternate/Commercial Service (continued)

original agreement. The majority of these movements were made predominantly by CN and CP and continued to be for the carriage of the six major grains to domestic destinations throughout Canada, United States, and Mexico.

CN continues to use the Corporation's hopper cars to move phosphate from Vancouver to Agrium's fertilizer facility at Beamer, Alberta. This helps to reduce the number of empty hopper cars traveling back from Vancouver to western Canada through the busy Edmonton-Vancouver corridor. In 2000/2001, phosphate rock movements fell to 27 movements, generating \$4,403 in revenue from 86 movements, generating \$11,798 in revenue in 1999/2000.

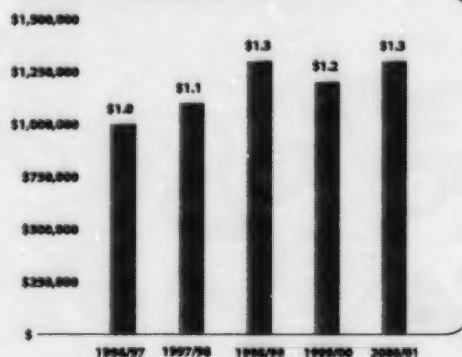
The Corporation's hopper cars are also used to transport potash under the CN contract. In 2000/2001 there were 22 movements, generating \$3,655 in revenue. Potash movements were up slightly from 16 movements in 1999/2000 but revenue was down slightly due to the number of days billed for each movement.

The Corporation's primary focus is on statutory grain service but continues to look for new opportunities to increase the number of alternate use movements during periods of under utilization.

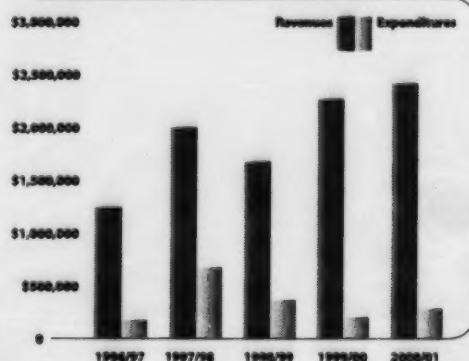
Financial Highlights

for the year ended July 31, 2001

Commercial Services Revenues



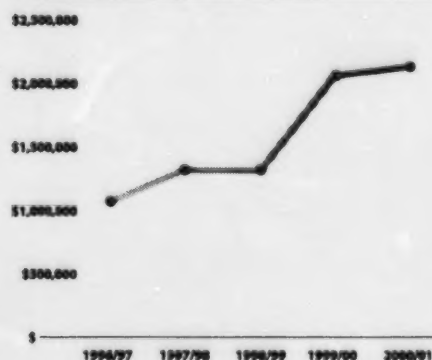
Revenues - Expenditures



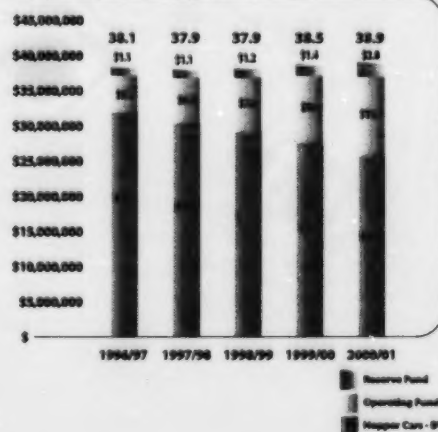
	Budget	Actual
Total Revenue	\$ 1,435,000	\$ 2,414,687
Car Leasing	1,000,000	1,304,835
Interest	400,000	594,289
Destroyed cars	35,000	515,563
Total expenditure	\$ 428,000	\$ 283,993
Excess of Revenue over Expenditure	\$ 1,007,000	\$ 2,128,694

Total Assets	\$ 38,941,779
Due from General Revenue Fund Operating	11,202,927
Due from General Revenue Fund Reserve	1,996,752
Physical Assets Hopper Cars	25,742,100

Excess of Revenue over Expenditures



Total Assets



Financial Statements

2000/2001

Management's Report

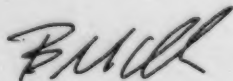
The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgement where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2001.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2001.

The financial statements have been audited by the Corporation's external auditors, Skilnick Robertson Besler Miller & Co., Chartered Accountants, and approved by the Provincial Auditor.



Bernard Churko
General Manager
Regina, Saskatchewan

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 2001, and the statement of revenues and expenditure, net assets and cash flows for the year then ended.

The corporation's management is responsible for preparing the financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SKILNICK ROBERTSON BESLER MILLER & CO.
Chartered Accountants

Melville, Saskatchewan
October 2, 2001

Statement of Financial Position

Statement 1

as at July 31, 2001

	Operating Fund	2001 Reserve Fund	Total	2000 Total
Assets				
Current Assets				
Cash	\$ 34,176	\$	\$ 34,176	\$ 44,511
Due from General Revenue Fund (Note 4)	10,271,374	1,797,478	12,068,852	10,325,998
Accounts receivable (Note 6)				
- accrued interest	38,369	6,716	45,085	49,318
- car leasing	450,959		450,959	632,373
- miscellaneous	34	192,558	192,592	32,668
Prepaid expenses	666		666	659
	\$ 10,795,578	\$ 1,996,752	\$ 12,792,330	\$ 11,085,527
Other Assets				
Investment in shares of West Central Road & Rail Ltd. (Note 9)	407,349		407,349	
Total Assets	\$ 11,202,927	\$ 1,996,752	\$ 13,199,679	\$ 11,085,527
Liabilities and Net Assets				
Accounts payable (Note 6)	\$ 49,615	\$	\$ 49,615	\$ 30,073
Wage deductions payable				156
Goods and services taxes payable	9,125		9,125	43,053
Total liabilities	58,740		58,740	73,282
Net assets—Statement 3	11,144,187	1,996,752	13,140,939	11,012,245
Total liabilities and net assets	\$ 11,202,927	\$ 1,996,752	\$ 13,199,679	\$ 11,085,527
Investment in capital assets (Note 7)			\$ 25,742,100	\$ 27,491,373

See accompanying notes to financial statements

Approved on behalf of the Board:

Pat Atkinson

Pat Atkinson
Chairperson of the Board

Statement of Revenue and Expenditure

	Statement 2				
	for the year ended July 31, 2001			2000	
	Budget	Operating Fund	Reserve Fund	Total	Total
Revenue					
Car leasing (Note 2)	\$ 1,000,000	\$ 1,304,835	\$	\$ 1,304,835	\$ 1,639,104
Interest (Notes 4 and 5)	400,000	513,456	80,833	594,289	453,339
Compensation for destroyed cars (Note 2)	35,000		515,563	515,563	173,086
Total revenue	1,435,000	1,818,291	596,396	2,414,687	2,265,529
Expenditure					
General manager contract travel and sustenance (Note 5)	31,000	28,315		28,315	
Fleet Manager contract, travel and sustenance (Note 5)	90,000	87,186		87,186	83,418
Salaries	30,000	29,837		29,837	50,856
Salary benefits (Notes 5 and 8)	6,000	4,942		4,942	6,433
Other travel and sustenance	2,000				774
Administration (Schedule 1)	269,000	135,713		135,713	64,011
Total expenditure	428,000	285,993	Nil	285,993	205,492
Excess of revenue over expenditure for the year	\$ 1,007,000	\$ 1,532,298	\$ 596,396	\$ 2,128,694	\$ 2,060,037

See accompanying notes to financial statements

Statement of Net Assets

Statement 3

for the year ended July 31, 2001

2001

2000

	Operating Fund	Reserve Fund	Total	Total
Net assets, beginning of year	\$ 9,611,889	\$ 1,400,356	\$ 11,012,245	\$ 8,952,208
Excess of revenue over expenditure for the year	1,532,298	596,396	2,128,694	2,060,037
Net assets, end of year	\$ 11,144,187	\$ 1,996,752	\$ 13,140,939	\$ 11,012,245

See accompanying notes to financial statements

Statement of Cash Flows

Statement 4

for the year ended July 31, 2001	2001	2000
Cash flows from operating activities		
Excess of revenue over expenditure for the year	\$ 2,128,694	\$ 2,060,037
Cash flows from non-cash working capital - see summary below	11,174	548,105
	<u>2,139,868</u>	<u>2,608,142</u>
Cash flows from investing activities		
(Increase) decrease in investment in shares of West Central Road & Rail Ltd.	(407,349)	Nil
(Increase) decrease in due from General Reserve Fund	(1,742,854)	(2,593,214)
	<u>(2,150,203)</u>	<u>(2,593,214)</u>
Increase (decrease) in cash and cash equivalents	(10,335)	14,928
Cash and cash equivalents, beginning of year	44,511	29,583
Cash position at end of year	<u>\$ 34,176</u>	<u>\$ 44,511</u>
Summary of cash flows from non-cash working capital		
(Increase) Decrease in Assets		
Accounts receivable	\$ 25,723	\$ 517,505
Prepaid expenses	(7)	218
	<u>25,716</u>	<u>517,723</u>
Increase (Decrease) in Liabilities		
Accounts payable	19,542	29,416
Wages deductions payable	(156)	(409)
Goods and services taxes payable	(33,928)	1,375
	<u>(14,542)</u>	<u>30,382</u>
	<u>\$ 11,174</u>	<u>\$ 548,105</u>

See accompanying notes to financial statements

Notes to the Financial Statements

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act*.

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. Operating Agreement

The Corporation has entered into an agreement dated February, 1981, with the Canadian National Railway Company, Canadian Pacific Limited, and The Canadian Wheat Board which allows the railways to lease the Corporation's cars free of charge for statutory grain service. Statutory grain service refers to the movement to port of 59 - grain products as listed under Schedule II of the *Canada Transportation Act*.

With the approval of the Corporation, the railways may lease the Corporation's cars for commercial service, provided the cars are surplus to the requirements for statutory grain service. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash. The railways are required to pay an agreed leasing charge to the Corporation for these movements.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with industry standards.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railway responsible is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the Association of American Railroads. The value is based on the current replacement value of the car and the age of the car. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund to be used for the purchase of new cars.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

The Corporation uses the accrual basis of accounting. Where the Corporation is the lessor, rental revenues from car operating leases are recognized as the service is provided to the lessee and collection is reasonably assured.

The investment in shares of West Central Road & Rail Ltd. is accounted for by the cost method with earnings reflected only to the extent of dividends received.

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

The financial records of the Corporation are segregated into two funds:

- (i) Operating Fund, which records the operating revenues and expenditures of the Corporation; and
- (ii) Reserve Fund, which records the compensation received from the railways for destroyed cars. All interest earned from cash balances is retained by the Reserve Fund.

4. Due from General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2000/2001 is 5.28% (1999/2000 5.07%).

5. Related party transactions

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

	2001	2000
Revenue		
Government of Saskatchewan (General Revenue Fund) - interest earnings	\$ 594,289	\$ 453,339
Expenditure		
Department of Highways and Transportation		
- General Manager services	\$ 22,455	\$ Nil
- Fleet Manager services	\$ 74,810	\$ 71,319
Saskatchewan Property Management Corporation		
- Office rent	\$ 7,938	\$ 8,635
- Printing and copying	\$ 81	\$ 160
- Office supplies	\$ 203	\$ 397
- Postage	\$ 153	\$ Nil
Saskatchewan Telecommunications - Telecommunication services	\$ 5,426	\$ 5,306
Crown Investments Corporation (Capital Pension Plan) - Employee pension plan contributions	\$ 1,641	\$ 1,613
Workers' Compensation Board (Saskatchewan)	\$ (28)	\$ 739

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

6. Financial instruments

Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing or certainty of future cash flows.

Credit risk

The Corporation is exposed to credit risk from the potential non-payment of accounts receivable. The Corporation's receivables consist of amounts due from Canadian National Railway Company, Canadian Pacific Limited, and accrued interest on funds invested by the Provincial Government. The credit risk on collection of the receivable balance is minimal.

Fair value

The carrying amount of cash, due from General Revenue Fund, accounts receivable and accounts payable approximate fair market value due to their immediate or short term nature.

7. Investment in capital assets

In 1992, the Corporation wrote off its capital assets consisting entirely of hopper cars due to the inability to project with reasonable certainty the possible future net cash flows from usage. The following is provided for information purposes.

The Corporation purchased 1,000 covered hopper cars in 1981 at a cost of \$54,214,423. As of July 31, 2001, 44 cars have been destroyed; the remaining 956 cars are in service.

The investment in the hopper cars is amortized on a straight line basis over an expected useful life of 40 years.

as at July 31

	2001			2000		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Rolling stock	\$51,825,817	\$ 26,083,717	\$25,742,100	\$ 52,695,220	\$25,203,847	\$27,491,373
The 2001 amortization		\$ 1,305,042	2000 —	\$1,318,845		
Less: Gain on disposal		(71,333)		(25,933)		
Net for the year		\$ 1,233,709		\$ 1,292,912		

8. Pension plan

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2001 amounted to \$1,641 (2000—\$1,613).

9. Investment in shares of West Central Road & Rail Ltd.

During the year the Corporation acquired 4,000 newly issued Class "E" shares of the capital stock of West Central Road & Rail Ltd. The equity investment represents the corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class "E" shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. After June 28, 2006, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

The carrying value of this investment approximates fair market value.

Schedule of Administrative Expenses

Schedule 1

for the year ended July 31, 2001

	2001 Budget	2001	2000
OPERATING FUND			
Advertising and promotion	\$ 500	\$ Nil	\$ Nil
Bank charges	Nil	51	12
Computer equipment	5,000	5,212	Nil
Computer maintenance	1,000	32	745
Computer software	40,000	1,810	Nil
Consulting services	185,000	101,799	29,398
Data processing – car leasing	Nil	Nil	Nil
Miscellaneous	1,000	1,792	137
Office supplies (Note 5)	1,000	589	2,814
Postage and courier (Note 5)	750	153	180
Printing and copying (Note 5)	750	618	1,042
Professional services	16,000	10,293	14,379
Rent – office space (Note 5)	9,000	7,938	8,635
Subscriptions – railway data	Nil	Nil	Nil
Telecommunications (Note 5)	9,000	5,426	6,669
Total – to Statement 2	\$269,000	\$ 135,713	\$ 64,011

See accompanying notes to financial statements

Expenditure Disclosure

for the year ending July 31, 2001

Employee receiving payments totaling \$2,500 or more for salaries or wages:

	2001	2000
Sandra Rathgeber	\$ 29,837	\$ 29,301
Merve Famulak	Nil	\$ 12,565
Garin Gleisinger	Nil	\$ 8,990
Total	\$ 29,837	\$ 50,856

Suppliers/consultants receiving payments totaling \$25,000 or more for goods and/or services:

	2001	2000
Paul Beingessner	Nil	\$ 1,120
Melvin Ellis	Nil	\$ 23,800
West Central Road & Rail Ltd.	\$ 71,799	\$ 4,478
Farmer Rail Car Coalition	\$ 30,000	Nil
Total	\$ 101,799	\$ 29,398

Statistical Summary

Year
as of July 31, 2001

Cars in Service

Cars Destroyed

Car Leasing Revenues

	CN	CP	Total	CN	CP	Total	
1979/80	-	-	-	-	-	-	-
1980/81	477	273	750	-	-	-	-
1981/82	477	523	1,000	-	-	-	\$ 56,294
1982/83	477	523	1,000	-	-	-	\$ 11,850
1983/84	475	523	998	2	-	2	-
1984/85	475	523	998	-	-	-	-
1985/86	475	523	998	-	-	-	-
1986/87	474	523	997	1	-	1	-
1987/88	474	523	997	-	-	-	-
1988/89	474	523	997	-	-	-	\$ 1,099,441
1989/90	474	523	997	-	-	-	\$ 92,310
1990/91	473	523	996	1	-	1	\$ 146,343
1991/92	473	522	995	-	1	1	\$ 268,342
1992/93	473	522	995	-	-	-	\$ 326,047
1993/94	472	522	994	1	-	1	\$ 816,083
1994/95	472	518	990	-	4	4	\$ 628,807
1995/96	470	514	984	2	4	6	\$ 946,233
1996/97	468	514	982	2	-	2	\$ 991,526
1997/98	468	509	977	-	5	5	\$ 1,089,116 (See note 1, page 27)
1998/99	468	509	977	-	-	-	\$ 1,305,593
1999/00	464	508	972	4	1	5	\$ 1,189,104 (See note 2, page 27)
2000/01	458	498	956	6	10	16	\$ 1,304,835
Total	458	498	956	19	25	44	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	\$ 1,507,271
- Bad debt allowance as shown in 1997/98 Financial Statement	(\$ 160,000)
- Bad debt allowance as shown in 1998/99 Financial Statement	(\$ 53,543)
- Settlement recovery with CP for western Canada commercial moves form 1991 to 1997 realized in 1998/99	(\$ 204,612)
Car leasing revenue actually realized in 1997/98	\$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	\$ 1,639,104
- Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	(\$ 450,000)
Car leasing revenue actually realized in 1999/00	\$ 1,189,104

Notes

Corporate Information

Board of Directors

Honourable Maynard Sonntag
Chairman of the Board
Minister of Highways and Transportation
Minister Responsible for the
Saskatchewan Grain Car Corporation
(from September 30, 1999 to February 8, 2001)

Honourable Pat Atkinson
Chairman of the Board
Minister of Highways and Transportation
Minister Responsible for the
Saskatchewan Grain Car Corporation
(effective February 8, 2001)

Ron Styles
Deputy Minister
Department of Highways and Transportation
(effective March 1, 2000)

Terrence Scott
Deputy Minister
Department of Agriculture and Food
(from September 9, 1997 to January 16, 2001)

Gord Nystuen
Deputy Minister
Department of Agriculture and Food
(effective January 16, 2001)

Management

Bernard Churko
General Manager
(effective June 22, 1993)

Kelly Moskow
Fleet Manager
(effective October 1, 1998)

William Cooke
Manager of Planning
(from June 22, 1993 to October 12, 2000)

For additional information:

Saskatchewan Grain Car Corporation
#108-256 2nd Avenue West
P.O. Box 2498
Melville, Saskatchewan
S0A 2P0

Telephone: (306) 728-7444
Facsimile: (306) 728-7446
email: sgcc@highways.gov.sk.ca

Glossary

Bad Orders

A bad order is a car that had been deemed mechanically unfit for service.

Car Cycles

A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service

Commercial service is defined, as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the *Canada Transportation Act*. For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets

Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger than a 2000 pound short ton.

Phosphate Rock

Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials.

Potash

Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service

Statutory grain service is the transportation of commodities which are moved port for export as defined in Schedule II of the *Canada Transportation Act*. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.